



# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

<http://www.michigan.gov/treasury>

## March 2008 Summary

**U.S. Economy:** U.S. economic indicators remained largely negative in March. Consumer sentiment was down sharply from a year ago (-18.9 points) to 69.5, its lowest reading in 16 years. First quarter business confidence also fell sharply from a year ago. The ISM manufacturing index signaled a contracting sector for the second straight month and both the ISM manufacturing and non-manufacturing (business activity) indices were down from a year ago. Compared to a year ago, housing starts fell by more than one-third to a 947,000 pace, the first time starts have been below 1.0 million since 1991. Similarly, existing home sales declined by nearly one-fifth. Excluding vehicles and gasoline, retail sales rose by only 2.2 percent compared to a year ago (three-month average) -- its slowest growth rate in nearly five years. Real GDP grew at a slight 0.6 percent rate for the second straight quarter.

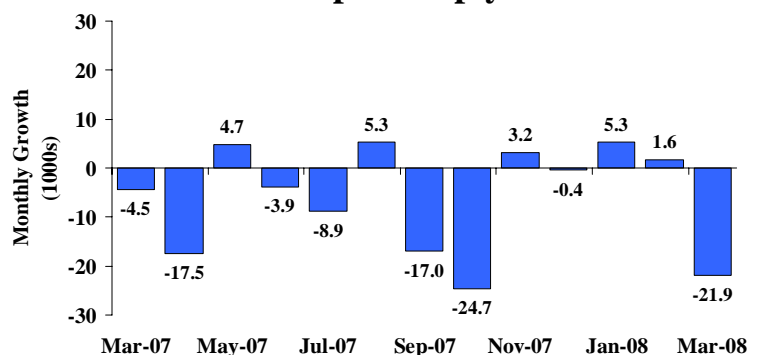
**Employment:** In March, Michigan's payroll employment declined by 21,900 jobs. The State unemployment rate remained unchanged at 7.2 percent while the national rate rose to 5.1 percent. Nationally, employment fell by 80,000 jobs.

**Auto Industry:** March light vehicle sales fell to a 15.1 million unit annual rate. Compared to a year ago, the three-month average of State vehicle production fell 2.5 percent compared with a 9.6 percent decline nationally.

**Inflation:** Compared to a year ago, the U.S. consumer price index (CPI) rose 4.0 percent; the core CPI (excluding energy and food) increased only 2.4 percent. Overall producer prices rose 6.9 percent, but core producer prices rose only 2.7 percent. Monthly oil prices rose above \$100 a barrel for the first time in history, rising to \$105.60 a barrel.

**Michigan Metro Areas:** From March 2007, unemployment rates rose in 16 of Michigan's 17 major labor market areas with a median increase of 0.3 of a percentage point. Employment fell in 15 labor market areas with a median decline of 1.6 percent. March 2008 unemployment rates ranged between 4.9 percent (Ann Arbor MSA) and 12.3 percent (Northeast Lower Michigan).

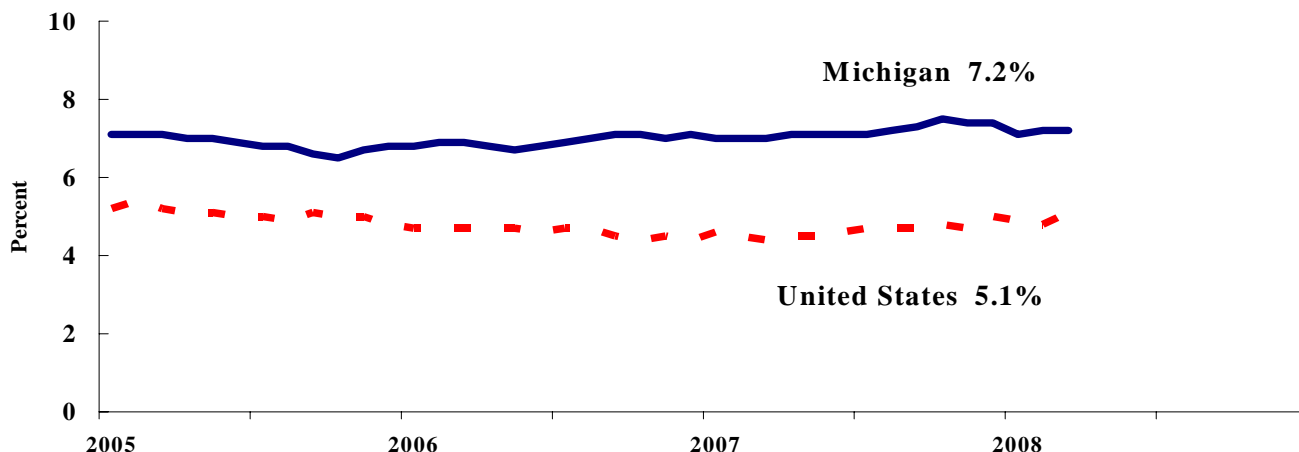
Michigan Employment Drops Sharply<sup>(a)</sup>



### Labor Market Statistics

- Michigan’s March monthly unemployment rate remained unchanged at 7.2 percent from last month and the current Michigan jobless rate is 0.2 percentage points above a year ago. The March U.S. unemployment rate increased 0.3 percentage points to 5.1 percent and was 0.4 percentage points above a year ago. Monthly unemployment rates fluctuate due to statistical sampling errors and data revisions.

**Michigan and U.S. Monthly Unemployment Rates  
2005 to 2008**



Source: Michigan Dept. of Labor and Economic Growth and Bureau of Labor Statistics, U.S. Dept. of Labor

- In March, the number of people employed in Michigan was 4,635,000, down 7,000 from last month, while the labor force decreased by 5,000. The statewide total number of unemployed increased by 2,000 to 360,000.
- United States household employment totaled 146.0 million persons in March, down 24,000 from February. The labor force rose by 410,000 from last month, which meant that there were 434,000 more unemployed people nationally, compared to February.

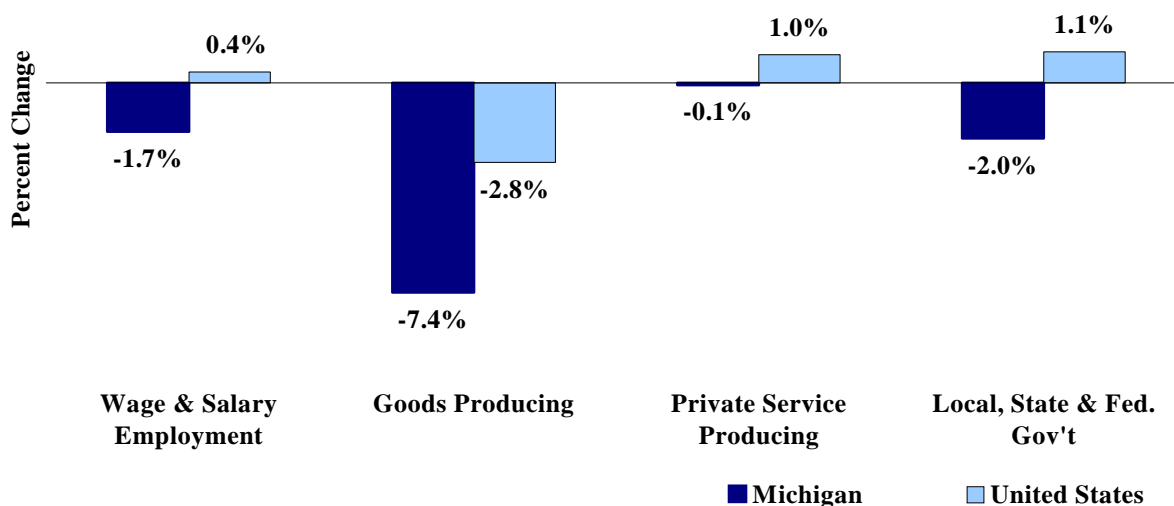
#### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2007 Average	Jan 2008	Feb 2008	Mar 2008	Change From				
					Prior Month		Last Year		
					Level	%	Level	%	
<b>Michigan</b>									
Labor Force	5,020	5,003	5,000	4,995	-5	-0.1%	-41	-0.8%	
Employed	4,660	4,650	4,642	4,635	-7	-0.2%	-51	-1.1%	
Unemployed	360	353	358	360	2	0.6%	10	2.8%	
Unemployment Rate	7.2%	7.1%	7.2%	7.2%	n.a.	0.0% pts	n.a.	0.2%	
<b>United States</b>									
Labor Force	153,124	153,824	153,374	153,784	410	0.3%	2,086	1.4%	
Employed	146,047	146,248	145,993	145,969	-24	0.0%	1,390	1.0%	
Unemployed	7,078	7,576	7,381	7,815	434	5.9%	696	9.8%	
Unemployment Rate	4.6%	4.9%	4.8%	5.1%	n.a.	0.3% pts	n.a.	0.4%	

### Employment by Place of Work

- From March 2007 to March 2008, Michigan wage and salary employment decreased 74,000 (1.7 percent). State wage and salary employment decreased 22,000 from February. Nationally, March 2008 wage and salary employment rose 536,000 (0.4 percent) from a year ago but was down 80,000 from last month.

### Wage and Salary Employment Growth March 2007 to March 2008



Source: Bureau of Labor Statistics, Michigan Department of Labor and Economic Growth

- In the goods-producing sector, Michigan employment fell 7.4 percent from a year ago while private service-producing sector employment decreased 0.1 percent compared to last year. From a year ago, March national employment in the goods-producing sector fell 2.8 percent but increased 1.0 percent in the private service-producing sector.
- Manufacturing weekly hours increased by 1.0 hours in Michigan compared to last year.

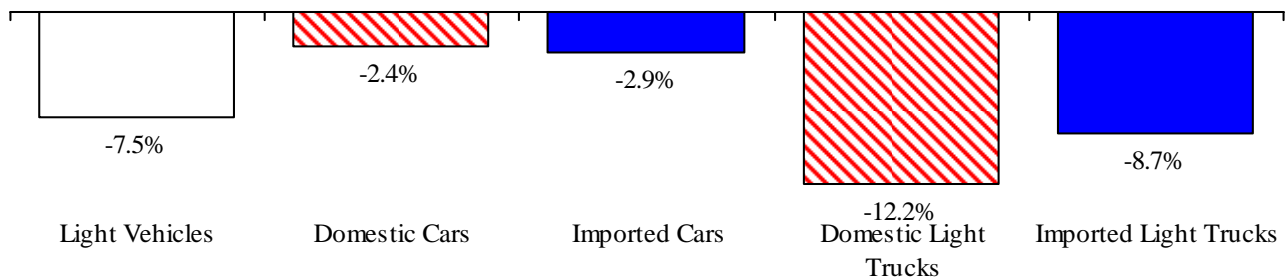
### Establishment Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2007 Average	Mar 2007	Mar 2008	Percent Change	2007 Average	Mar 2007	Mar 2008	Percent Change
Wage & Salary Employment	4,262	4,287	4,213	-1.7%	137,623	137,310	137,846	0.4%
Goods Producing	791	809	749	-7.4%	22,221	22,362	21,732	-2.8%
Manufacturing	617	630	583	-7.5%	13,884	13,953	13,643	-2.2%
Private Service Producing	2,814	2,819	2,817	-0.1%	93,199	92,805	93,727	1.0%
Trade, Trans. & Utilities	788	790	787	-0.4%	26,608	26,584	26,556	-0.1%
Services	1,750	1,750	1,756	0.3%	55,254	54,858	55,933	2.0%
Local, State & Fed. Gov't	657	660	647	-2.0%	22,203	22,143	22,387	1.1%
Manufacturing Weekly Hours	42.5	42.6	43.6	1.0 hrs	41.2	41.2	41.3	0.1 hrs

### Motor Vehicle Industry Sales

- At a 15.1 million unit annual rate, March 2008 light vehicle sales were down 1.7 percent from February and fell 7.2 percent compared to a year ago. Compared to a month ago, domestic light vehicle sales were down 4.5 percent and foreign light vehicle sales rose 7.3 percent. From February, auto sales were up slightly (2.7 percent) while light truck sales were down 5.7 percent.
- First quarter 2008 domestic sales were down 8.2 percent while foreign sales declined 5.1 percent. As a result, the foreign share of U.S. vehicle sales increased by 0.6 of a percentage point to 24.2 percent. Overall first quarter auto sales were down 2.6 percent; light truck sales declined sharply (-11.6 percent). Heavy truck sales were down by nearly one-third (-31.8 percent).
- March light vehicle inventories fell 6.9 percent from a year ago; days of supply were down by 1 day.

### First Quarter 2008 Light Vehicle Sales Down Sharply Compared to a Year Ago



### Motor Vehicle Sales Statistics

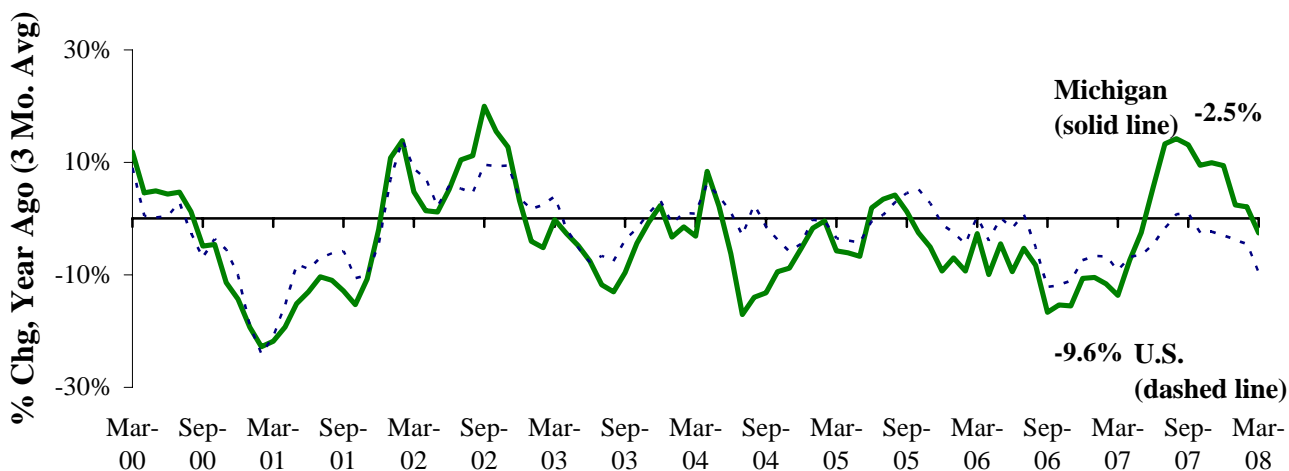
(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2007 Average	Jan 2008	Feb 2008	Mar 2008	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.6	7.3	7.3	7.5	7.4	(0.0)	-0.5%
Domestics	5.2	5.1	5.0	4.9	5.0	(0.2)	-3.1%
Imports	2.4	2.2	2.3	2.6	2.4	0.1	4.7%
Import Share	31.2%	30.3%	31.6%	34.4%	32.1%	1.7% pts	
Light Trucks	8.5	8.0	8.0	7.5	7.8	(1.1)	-13.0%
Domestics	7.1	6.7	6.7	6.2	6.5	(1.0)	-13.9%
Imports	1.4	1.3	1.3	1.3	1.3	(0.1)	-8.7%
Import Share	16.3%	16.4%	16.5%	17.4%	16.8%	0.8% pts	
Total Light Vehicles	16.1	15.3	15.3	15.1	15.2	(1.2)	-7.2%
Heavy Trucks	0.4	0.3	0.3	0.3	0.3	(0.1)	-29.7%
Total Vehicles	16.5	15.6	15.6	15.4	15.5	(1.3)	-7.8%
<b>U.S. Light Vehicle Inventories<sup>(d)</sup></b>		<b>Jan-08</b>	<b>Feb-08</b>	<b>Mar-08</b>	<b>3 Month</b>	<b>Change</b>	
Total Car	1.372	1.380	1.420	1.369	1.390	-0.174	
Days Supply	56	69	63	52	61	-8 days	
Total Truck	1.957	1.947	2.026	1.941	1.971	-0.072	
Days Supply	71	90	83	76	83	7 days	

### Motor Vehicle Industry Production

- At 172,147 units, March 2008 Michigan motor vehicle production fell sharply (-16.8 percent) compared with a still steeper national decline (-24.6 percent). As a result, Michigan's share of national production rose 2.1 percentage points to 22.3 percent.
- Compared with a year ago, state car production was up 7.7 percent while state truck production declined very sharply (-33.5 percent). Nationally, car production was down 10.7 percent and truck production decreased 32.1 percent.
- First quarter 2008 Michigan vehicle production was down 2.5 percent from a year ago; national production fell 9.6 percent. Michigan comprised 21.6 percent of first quarter vehicle production.

### Michigan Vehicle Production Down Slightly U.S. Vehicle Production Down Substantially <sup>(e,f)</sup>



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2007 Average	Jan 2008	Feb 2008	Mar 2008	3 Month Average	Change from Year Ago for the Month	
						Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	325.2	340.0	344.3	318.8	334.4	(38.2)	-10.7%
Trucks	582.8	512.2	569.8	453.9	512.0	(214.6)	-32.1%
Total	908.0	852.2	914.1	772.8	846.3	(252.7)	-24.6%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	84.1	92.5	97.5	90.2	93.4	6.4	7.7%
Trucks	110.2	79.0	107.9	81.9	89.6	(41.2)	-33.5%
Total	194.3	171.6	205.4	172.1	183.0	(34.8)	-16.8%
Michigan as % of U.S.	21.4%	20.1%	22.5%	22.3%	21.6%	2.1% pts	

## March Unemployment Rates Rose in Sixteen Major Michigan Labor Market Areas (Not Seasonally Adjusted)

Compared to a year ago, unemployment rates rose in 16 major Michigan labor market areas. The median unemployment rate increase was 0.3 of a percentage point. Unemployment rates ranged between 4.9 percent (Ann Arbor MSA) to 12.3 percent (Northeast Lower Michigan).

Between March 2007 and March 2008, employment fell in 15 major labor market areas. The median employment decrease was 1.6 percent. Six areas saw employment declines exceeding 2.0 percent; two recorded declines greater than 3.0 percent: Flint MSA (4.8 percent) and Saginaw-Saginaw Township MSA (3.3 percent). Fourteen areas saw a labor force decline with a median reduction of 1.3 percent. Four areas recorded a labor force decline exceeding 2.0 percent: Flint MSA (2.7 percent), Battle Creek MSA (2.3 percent), Saginaw-Saginaw Township MSA (2.3 percent) and Jackson MSA (2.2 percent).

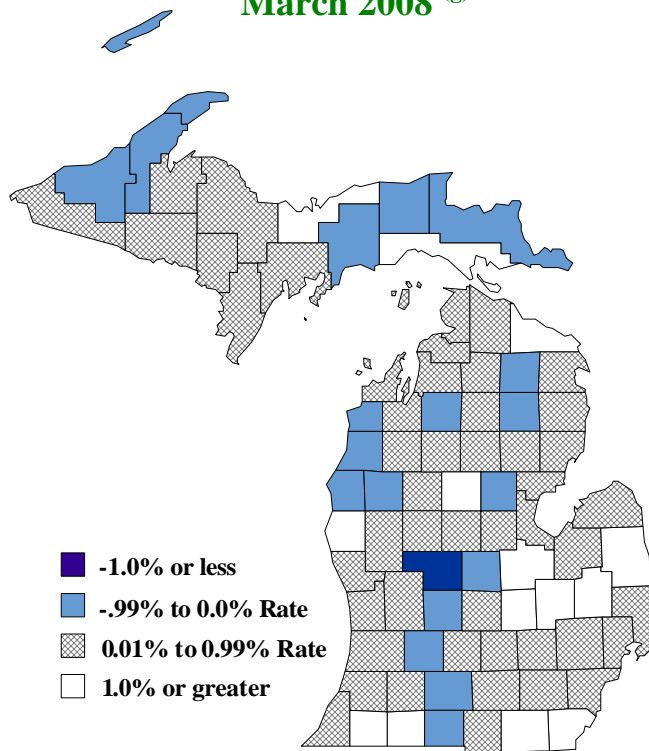
The Flint MSA reported the largest unemployment rate increase compared to a year ago (2.0 percentage points). The second largest rate increase was significantly smaller: 1.0 percentage point, which Monroe MSA and Saginaw-Saginaw Township MSA both recorded. Compared to February, twelve major labor markets saw non-seasonally adjusted unemployment rate declines with a median rate decrease of 0.4 of a percentage point.

Between March 2007 and March 2008, the unemployment rate rose in 63 Michigan counties, fell in 15 counties and remained unchanged in the remaining five counties. The median county unemployment rate change was a 0.3 of a percentage point. Non-seasonally adjusted unemployment county unemployment rates ranged between 4.9 percent (Washtenaw) and 22.2 percent (Mackinac).

### Local Area Unemployment Rates<sup>(g)</sup>

<u>Local Area</u>	<u>Mar 2007 Rate</u>	<u>Feb 2008 Rate</u>	<u>Mar 2008 Rate</u>
Michigan	7.3%	7.7%	7.9%
Ann Arbor	4.6%	4.9%	4.9%
Battle Creek	7.2%	7.4%	7.0%
Bay City	7.3%	7.7%	7.8%
Detroit-Warren-Livonia	7.4%	7.7%	8.1%
Flint	8.6%	9.3%	10.6%
Grand Rapids-Wyoming	6.1%	6.5%	6.3%
Holland-Grand Haven	5.7%	6.5%	6.1%
Jackson	7.8%	8.3%	7.9%
Kalamazoo-Portage	5.8%	6.3%	5.9%
Lansing-East Lansing	5.8%	6.3%	6.1%
Monroe	6.5%	7.6%	7.5%
Muskegon-Norton Shores	7.2%	7.9%	7.6%
Niles-Benton Harbor	7.2%	7.8%	7.3%
Saginaw-Saginaw Township	7.5%	8.1%	8.5%
Upper Peninsula	8.7%	9.2%	8.9%
Northeast Lower Mich	12.0%	13.0%	12.3%
Northwest Lower Mich.	9.2%	9.8%	9.3%

### Unemployment Rate Change March 2008<sup>(g)</sup>



## U.S. Economic Conditions

	<u>Dec-07</u>	<u>Jan-08</u>	<u>Feb-08</u>	<u>Mar-08</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	75.5	78.4	70.8	69.5	-18.9 points
ISM Manufacturing Index <sup>(i)</sup>	48.4	50.7	48.3	48.6	-2.1 points
ISM Non Manufacturing Index <sup>(i)</sup>	54.4	41.9	50.8	52.2	-0.8 points
	<u>2007.2</u>	<u>2007.3</u>	<u>2007.4</u>	<u>2008.1</u>	
Business Executives' Confidence <sup>(j)</sup>	45.0	44.0	39.0	38.0	-15.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>Dec-07</u>	<u>Jan-08</u>	<u>Feb-08</u>	<u>Mar-08</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	210.0	211.1	211.7	213.5	4.0%
Detroit CPI	200.2	NA	202.4	NA	2.2%
U.S. Producer Price Index	170.6	171.9	172.2	175.4	6.9%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	3.08%	2.86%	2.21%	1.38%	-3.59% points
Aaa Corporate Bonds <sup>(m)</sup>	5.49%	5.33%	5.53%	5.51%	0.21% points
<b>INDUSTRIAL PRODUCTION <sup>(m)</sup></b>	112.4	112.6	111.8	112.1	1.6%
<b>CAPACITY UTILIZATION <sup>(m)</sup></b>	81.0%	81.0%	80.3%	80.5%	-0.2% points
<b>RETAIL SALES <sup>(n)</sup></b>	\$380.7	\$382.2	\$380.8	\$381.4	2.0%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Dec-07</u>	<u>Jan-08</u>	<u>Feb-08</u>	<u>Mar-08</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(o)</sup>	1.000	1.083	1.075	0.947	-36.5%
Existing Home Sales <sup>(p)</sup>	4.910	4.890	5.030	4.930	-19.3%
<b>DURABLE GOODS ORDERS <sup>(q)</sup></b>	\$224.7	\$214.7	\$212.9	\$212.2	-2.1%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(Billions of Dollars)	<u>2007.1</u>	<u>2007.2</u>	<u>2007.3</u>	<u>2007.4</u>	<u>% Change From Year Ago</u>
Michigan	\$350.3	\$351.0	\$354.9	\$357.3	4.1%
U.S.	\$11,452.0	\$11,568.8	\$11,722.9	\$11,839.9	5.9%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2000 Dollars) <sup>(c)</sup>	<u>2007.2</u>	<u>2007.3</u>	<u>2007.4</u>	<u>2008.1</u>	<u>Annualized % Chg From Last Qtr</u>
	\$11,520.1	\$11,658.9	\$11,675.7	\$11,693.1	0.6%

**SOURCES AND NOTES:**

- (a) Seasonally adjusted. Sources: Bureau of Labor Statistics, U.S. Department of Labor and Michigan Dept. of Labor and Economic Growth, Employment Service Agency.
- (b) Bureau of Labor Statistics, U.S. Department of Labor (BLS 790).
- (c) Seasonally adjusted annual rates. Source: Bureau of Economic Analysis, U.S. Department of Commerce.
- (d) Ward's Automotive Reports.
- (e) Automotive News.
- (f) Michigan Department of Treasury.
- (g) Michigan Department of Labor and Economic Growth, Employment Service Agency.
- (h) University of Michigan Survey of Consumers.
- (i) Institute for Supply Management (ISM), formerly NAPM. Non-manufacturing index is the business business activity index.
- (j) The Conference Board.
- (k) Bureau of Labor Statistics, U.S. Department of Labor.
- (l) Economic Indicators, Council of Economic Advisors.
- (m) Seasonally adjusted rates (except interest rates). Federal Reserve System Board of Governors. 2002 equals 100.
- (n) Retail and Food Services Sales. Bureau of the Census, U.S. Department of Commerce.
- (o) Bureau of the Census, U.S. Department of Commerce.
- (p) National Association of Realtors.